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INCOME TAX

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FEDERAL RESERVE

TEN DOLLARS

ILLINOIS STATE

DOCUMENTS



ABRAHAM LINCOLN



The Illinois income tax was passed by the legislature in 1969--effective August 1 of that year.

Who Pays Illinois Income Tax?

Every individual, corporation, trust and estate residing in Illinois or earning or receiving income in Illinois must pay a tax based on net income. Each year the state receives approximately 5 million individual income tax returns as well as returns from 166,000 corporations and 125,000 fiduciary accounts.

What Are The Tax Rates?

Illinois has a flat rate income tax. The current permanent rate for individuals, trusts and estates is 2.5 percent of net income, and 4 percent for corporations. The Illinois General Assembly in June 1983, enacted a temporary increase in the income tax retroactive to Jan. 1, 1983, and set to expire June 30, 1984. The rate (including the temporary increase) is 3 percent for individuals, trusts and estates and 4.8 percent for corporations. The 1970 state constitution specifies that the ratio of tax on corporations as compared to individuals shall not exceed 8 to 5. (An income tax also is levied against corporations, subchapter S corporations, partnerships and trusts to replace money lost by local governments when the corporate personal property tax was abolished.)

Can I Claim Any Exemptions?

Yes, Illinoisans can reduce their taxable income by \$1,000 for each exemption allowed on their federal return.

How Do I Figure My Illinois Net Income?

(1) Individuals begin with the adjusted gross income from their federal tax return. Other taxpayers begin with taxable income.

(2) Add those income items which the federal government does not tax but Illinois does. (3) Subtract those income items the state does not tax, and (4) subtract \$1,000 for each exemption allowed.

What Are Some Of The Items Which Are Taxed By Illinois But Not The Federal Government?

Although the following are exempt from federal income taxes, they are among the items you must add to the adjusted gross income or the taxable income figure for Illinois tax purposes:

- Interest from state or municipal bonds
- The federal capital gains deduction
- The federal interest/dividend income exclusion
- Interest on all-savers certificates

What About Deductions?

Illinois does not have itemized deductions, which allows the state to keep the tax rates low and the tax forms simple. There are, however, certain items which are not taxed by the state and should be subtracted from the federal adjusted gross income or the taxable income figure. Among these are:

- Qualified retirement, pension and employee benefit plans.
- Interest on U.S. government securities.
- Capital gains, accrued before August 1, 1969 (not applicable for corporations).
- Property tax paid on one's primary residence (effective for tax year 1983).

My Income Is Less Than \$1,000--Do I Have To File An Illinois Tax Return?

You must file a return:

- If you are a resident or do business in Illinois and are required to file a federal tax return, regardless of your income, or
- If tax was withheld by your employer, and you want your refund.

I'm Over 65—Do I Get Any Tax Breaks?

Persons 65 or over get an extra \$1,000 exemption—for a total of \$2,000. This usually means you don't have to file a return if your adjusted gross income is less than \$2,000 unless you have capital gains or dividends. Social security income and most pension income are **not** taxed by the state, including income from individual retirement or Keogh plans—even though it may be taxed by the federal government.

How Do I Know If My Pension Income Is Taxable?

Contact the company from which you retired and ask if your pension is taxable by the federal government under sections 402-403 and 405-407 of the Internal Revenue Code. If the answer is “yes”, the state does not tax the proceeds.

When Do I File My State Tax Return?

The deadline is the same as for federal taxes (April 15, for individuals, estates and trusts that are calendar year taxpayers; March 15 for corporations that are calendar year taxpayers).

What If I'm Late?

If no additional taxes are expected to be due as of April 15 for individuals you can have an automatic four-month extension to file. However, if you will owe additional taxes, you must pay those taxes by the normal filing deadline (April 15 for individuals) and apply for an extension of time for filing the return (use form IL-505-I). Extensions of time are for filing of returns, not for payment of taxes. Any taxes owed which are not paid by the tax deadline are subject to penalty and interest.

In addition, a taxpayer who willfully fails to file a return – or who files a fraudulent return – may be subject to criminal penalties, including a fine and a prison sentence.

I Usually Get A Refund. How Can I Get It As Quickly As Possible?

File early and take time to read and follow the instructions carefully on your IL-1040—or any other forms you must file. It's the simple mistakes—such as failure to sign the return, include all W-2's, or include Social Security Number(s)—that can hold up a refund.

How Much Does The State Collect Each Year?

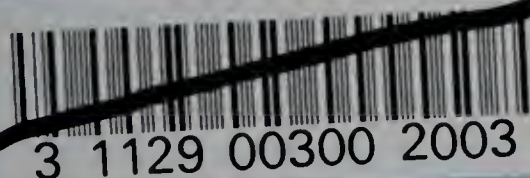
State income taxes bring in more than \$2.8 billion each year. Approximately 80 percent of this comes from individual income taxpayers and 20 percent from corporate taxpayers.

Where Does This Money Go?

This money is used for both state and local government purposes. One-twelfth of the income tax is distributed to local governments for their use. The remainder is pooled with other state government tax resources in the General Revenue Fund where approximately a third is sent to local school districts, colleges and universities for public education and another one-third is used for public assistance programs. The remainder pays for a variety of state services, including such things as prison security and clean air and water.

I Have Other Questions. Where Can I Go For Answers?

The Department of Revenue will be glad to answer them. Call or write, or visit any of the Department of Revenue offices where you can get help with any state tax-related problems or questions, and can pick up any forms you may need.



For Information and Assistance:

Visit: Chicago—160 N. LaSalle, 1st floor
Springfield—1901 S. 11th Street

Write: Illinois Department of Revenue
P.O. Box 2844
Springfield, Illinois 62708

Phone:
(312)641-2150
(217)782-3336

For Forms:

Write: Illinois Department of Revenue
P.O. Box 3545
Springfield, Illinois 62708

Phone: (the numbers above)

Forms and information also can be obtained at Revenue district offices in Chicago, West Chicago, Des Plaines, Evergreen Park, Broadview, Rockford, Wauconda, Rock Island, Peoria, Champaign, Springfield, Fairview Heights and Marion.

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